

<p style="text-align: right;">Page 1</p> <p>2 IN THE UNITED STATES BANKRUPTCY COURT 3 EASTERN DISTRICT OF MICHIGAN 4 SOUTHERN DIVISION 5 Case No. 13-53846; Hon. Steven W. Rhodes 6 -----X 7 In re: Chapter 9 8 CITY OF DETROIT, MICHIGAN, 9 Debtor. 10 -----X 11 12 13 14 15 16 17 DEPONENT: KENNETH A. BUCKFIRE 18 DATE: Friday, September 20, 2013 19 TIME: 8:30 a.m. 20 21 22 23 24 25</p>	<p style="text-align: right;">Page 3</p> <p>2 APPEARANCES: 3 4 JONES DAY 5 By: THOMAS CULLEN 6 BENJAMIN ROSENBLUM 7 222 East 41st Street 8 NEW YORK, NEW YORK 10017 9 Appearing on behalf of the Debtor 10 11 SALANS FMC SNR DENTON 12 By: CLAUDE D. MONTGOMERY 13 620 Fifth Avenue 14 New York, NY 10020.2457 15 212.632.8342 16 Appearing on behalf of Retirees Committee 17 18 COHEN WEISS AND SIMON LLP 19 By: THOMAS N. CIANTRA 20 330 West 42nd Street 21 New York, NY 10036.6979 22 212.356.0216 23 Appearing on behalf of UAW 24 25</p>
<p style="text-align: right;">Page 2</p> <p>2 3 4 5 6 7 8 9 10 September 20, 2013 11 8:33 a.m. 12 13 14 15 16 Deposition of KENNETH A. BUCKFIRE, held 17 at the offices of JONES DAY, 222 East 41st Street, 18 New York, New York pursuant to Notice before 19 DANIELLE GRANT, a Shorthand Reporter and Notary 20 Public of the State of New York. 21 22 23 24 25</p>	<p style="text-align: right;">Page 4</p> <p>2 APPEARANCES (continued): 3 4 LOWENSTEIN SANDLER LLP 5 By: JOHN K. SHERWOOD 6 65 Livingston Avenue 7 Roseland, NJ 07068 8 973.597.2374 9 Appearing on Behalf of AFSCME 10 11 12 CLARK HILL PLC 13 By: SHANNON L. DEEBY (appearing via Telephone) 14 500 Woodward Avenue, Suite 3500. 15 Detroit, MI 48226 16 313.965.8274 17 Appearing on behalf of Retirement Systems 18 19 WILLIAMS WILLIAMS RATTNER & PLUNKETT PC 20 By: NOT PRESENT, Jr. 21 380 N Old Woodward Ave Ste 300 22 Birmingham, MI 48009 23 248.642.0333 24 Appearing on behalf of FGIC 25</p>



<p>Page 13</p> <p>1 K. Buckfire 2 joined the record. 3 A Since the founding of the firm in 4 2002. 5 Q 2002. And what is your formal 6 position with Miller Buckfire? 7 A Co-president. 8 Q Who is the other co-president? 9 A Norma Corio, C-O-R-I-O. 10 Q Does Miss Corio have any roll in 11 connection with the City of Detroit engagement 12 of which you are employed? 13 A Yes. 14 Q What is her role? 15 A She is overseeing the process by 16 which we are securing debtor and possession of 17 financing for the City. 18 Q And what is your role in 19 connection with the City of Detroit bankruptcy? 20 A I'm the senior banker at Miller 21 Buckfire responsible for advising the emergency 22 manager in the City of Detroit on all aspects 23 of financial strategy and restructuring 24 alternatives, including potential exchange 25 offers, debt for equity conversions, and other</p>	<p>Page 15</p> <p>1 K. Buckfire 2 A No. 3 Q In January of 2013, was the scope 4 of your engagement changed in any way? 5 A Yes, the scope of our engagement 6 in January was to continue our role as 7 evaluating the City's financial condition from 8 a solvency perspective, and advise the City on 9 what they might be able to do to create more 10 liquidity or deal with their liabilities. 11 Q And did you reach any conclusions 12 in connection with the solvency or how the City 13 should deal with its liabilities? 14 A Not until May. 15 Q And did you reach any conclusions 16 in May regarding solvency? 17 A Yes. 18 Q What was that conclusion, sir? 19 A That the City was insolvent. 20 Q And did you report that conclusion 21 to anyone? 22 A Yes, I did. 23 Q And in what form did that report 24 take? 25 A It was on oral report to the</p>
<p>Page 14</p> <p>1 K. Buckfire 2 potential transactions that might be required 3 to effectuate a restructure. 4 Q And this current role began when, 5 sir? 6 A January of 2013. 7 Q And I believe you indicated in 8 your prior deposition that you had other roles 9 in connection with the City of Detroit; is that 10 correct? 11 Let me rephrase the question if 12 you don't understand it. Prior to your current 13 engagement, had you done work for either the 14 City or the State in connection with the City 15 of Detroit? 16 A Yes, in 2012 we had a two-month 17 engagement with the State the Michigan to 18 evaluate the City's financial condition. 19 Q Was that July 2012? 20 A I believe it was July. 21 Q Prior to that, any engagement if 22 connection with the City of Detroit? 23 A No. 24 Q And after that was there an 25 intermediate role prior to your current one?</p>	<p>Page 16</p> <p>1 K. Buckfire 2 emergency manager. 3 Q And when did you give that oral 4 report to the emergency manager? 5 A In early May. 6 Q Can you be more precise than early 7 May? 8 A No. 9 Q Would it be before May 7, by any 10 chance? 11 A It could have been, but I don't 12 recall exactly. 13 Q You don't recall exactly, okay. 14 And did you give any advice to the 15 emergency manager on how he should deal with 16 his creditors in connection with your report on 17 solvency? 18 A Yes, I advised him that the City's 19 financial condition was so dire that we had to 20 take immediate steps to preserve the City's 21 liquidity so that it would be in jeopardy of 22 losing essential public services, and we 23 identified the need to negotiate with the swap 24 counterparties, which I previously to in this 25 case, as an immediate and urgent priority of</p>

Page 17

1 K. Buckfire
2 the City.
3 Q And when you say you previously
4 testified, are you speaking of your deposition
5 which took place on August 29, 2013?
6 A Correct.
7 Q And in what form did your report
8 to Mr. Orr -- let me rephrase it.
9 What form did your report to
10 Mr. Orr take?
11 A Verbal.
12 Q And was is it delivered at exactly
13 the same time as your report on solvency or at
14 a later time?
15 A It was all part of the same
16 discussion.
17 Q And how long did this discussion
18 take place -- let me rephrase the question.
19 How long was a conversation was
20 it?
21 A It was a lengthy conversation. We
22 were not the only ones present at the time.
23 Q Who else was present in the room
24 at the time?
25 A Representatives of Conway

Page 18

1 K. Buckfire
2 McKenzie, Ernst and Young and Jones Day.
3 Q Was this a report by you or an
4 interactive conversation?
5 A Conversation.
6 Q Was counsel present?
7 A Jones Day.
8 Q So you have Conway McKenzie,
9 Miller Buckfire Jones Day, any other
10 organizations represented in that meeting?
11 A Ernst and Young.
12 Q Any others?
13 A Not that I recall.
14 Q Who from Ernst and Young was that?
15 A Gaurav Malhotra.
16 Q Anyone else from his shop?
17 A I don't recall. I'm sure there
18 were but I can't recall who it was.
19 Q Anyone else from Buckfire Miller
20 there?
21 A Miller Buckfire.
22 Q Miller Buckfire, sorry.
23 A You're forgiven.
24 Q Let me rephrase the question. Was
25 there anyone else from your institution in that

Page 19

1 K. Buckfire
2 conversation with the emergency manager?
3 A Yes, Mr. James Doak, D-O-A-K.
4 Q Anyone else that you can recall?
5 A No.
6 Q And what was Mr. Doak's role in
7 that conversation?
8 A He didn't really have much to say.
9 It was primarily a report I was giving on
10 behalf of the firm.
11 Q I think you indicated a moment ago
12 that the conversation was interactive?
13 A Yes.
14 Q Who else participated in the
15 conversation, specifically?
16 A I can't recall.
17 Q Did Mr. Mohatra participate in the
18 conversation?
19 A I'm sure he did but I can't recall
20 what he said.
21 Q Okay. Did Mr. Moore participate
22 in the conversation?
23 A I'm believe he did.
24 Q Can you recall anything about what
25 Mr. Moore said?

Page 20

1 K. Buckfire
2 A No.
3 Q Can you recall anything that
4 Mr. Orr said during that conversation?
5 A Yes, he agreed, having reviewed
6 the financial forecast provided by Ernst and
7 Young that the situation was indeed very
8 serious and, he agreed with my recommendation
9 that we immediately formulate a strategy to
10 preserve the City's cash flow.
11 Q Had you seen Mr. Mohatra's
12 forecast prior to that meeting?
13 A No.
14 Q Were you able to review it during
15 the meeting?
16 A Yes.
17 Q And what conclusions, if any, did
18 you reach with regard to that forecast during
19 that meeting?
20 A I was shocked at how much worse
21 the situation was than I had imaged before
22 that.
23 Q Now, I believe you indicated to me
24 earlier that you were engaged to review the
25 City's solvency?



Page 33

1 K. Buckfire
2 Q That will help.
3 A It's a confidential assignment for
4 a company which in the zone of insolvency so I
5 can't tell you which company it is, but we've
6 been working with them on that particular
7 engagement since last January, January of 2012.
8 Q And prior to January of 2012, can
9 you recall any engagements on which you and
10 Jones Day were on the same side?
11 A Well, my firm has worked with
12 Jones Day very actively over the ten years,
13 primarily in auto parts companies in which we
14 are involved, as is Jones Day. I personally
15 have not worked with Jones Day in any of those
16 cases.
17 Q Thank you. We're going to switch
18 topics now, Mr. Buckfire.
19 In connection with your review for
20 Mr. Orr on the solvency of the City, did you
21 look at a balance sheet for the City?
22 A Yes.
23 Q And do you know if that balance
24 sheet has been produced by the City in
25 connection with the discovery in the

Page 34

1 K. Buckfire
2 eligibility dispute?
3 A Well, we've produced a tremendous
4 amount of financial information including
5 balance sheets, both historical as audited by
6 the City's auditors, and more recent analyzes
7 produced by Ernst and Young.
8 MR. MONTGOMERY: Can you confirm
9 that, Mr. Rosenbloom?
10 MR. ROSENBLUM: I'm not aware of
11 any balance sheet.
12 MR. MONTGOMERY: You're not
13 representing the City, you're
14 representing Mr. Buckfire; is that
15 right. Rosenbloom?
16 MR. ROSENBLUM: I'm representing
17 the City and Mr. Buckfire. I'm not
18 aware of any balance sheet document
19 that we have not produced.
20 Q Can you recall from your memory,
21 sir, what the asset side of that balance sheet
22 totaled as of any date prior to your meeting
23 with Mr. Orr?
24 A No.
25 Q Are you familiar with the June 14

Page 35

1 K. Buckfire
2 creditor proposal?
3 A Yes.
4 Q Is there a balance sheet contained
5 in that presentation?
6 A Not in conformity with what you
7 would consider generally accepted accounting
8 principles. It's more of a market-to-market
9 analysis of the true liabilities of the City.
10 Q Is there any presentation,
11 document, or section of the report that
12 quantifies the asset side of the City's balance
13 sheet?
14 A Not that I recall.
15 Q But it is your testimony, Mr.
16 Buckfire, that you have seen a document that
17 quantifies the asset side of the City's balance
18 sheet?
19 A Well, the City has produced an
20 annual report for a hundred years, and most
21 recent of which in 2012 is in the data room,
22 which I reviewed.
23 Q Okay. Sir, are all of the City's
24 assets of which you are aware on that balance
25 sheet that appears in the City's data room?

Page 36

1 K. Buckfire
2 A I don't understand your question.
3 Q Are there any assets that the City
4 owns of which you are aware that are not
5 included on the balance sheet which you say is
6 in the City's data room?
7 A I have to assume that the City's
8 balance sheet as audited reports fairly the
9 financial condition of the City and therefore
10 incorporates all of the assets in which it
11 owns.
12 MR. MONTGOMERY: I'm going to ask
13 the court reporter to mark as Buckfire
14 Exhibit 2, the credit proposal as it
15 appears attached to the Orr declaration
16 as Exhibit A, which is docket 11,
17 Exhibit 1.
18 (June 14 report and proposal was
19 marked as Buckfire Exhibit No. 2
20 for identification, as of this
21 date.)
22 Q Mr. Buckfire, I've handed you what
23 has been marked as Buckfire Exhibit No. 2.
24 Have you seen this before?
25 A Yes.

<p style="text-align: right;">Page 37</p> <p>1 K. Buckfire</p> <p>2 Q What is it, sir?</p> <p>3 A It's the June 14 report and</p> <p>4 proposal to creditors.</p> <p>5 Q Did you participate in its</p> <p>6 preparation?</p> <p>7 A No.</p> <p>8 Q Would you turn to page 118 on that</p> <p>9 document, which I believe is has a slightly</p> <p>10 different docket reference?</p> <p>11 A Is this the page that says "A</p> <p>12 preliminary transition advisory board"?</p> <p>13 Q No.</p> <p>14 MR. CULLEN: Is it 118 of the</p> <p>15 document or --</p> <p>16 MR. MONTGOMERY: Forgive me. Off</p> <p>17 the record for a moment.</p> <p>18 (Discussion off the record.)</p> <p>19 Q Page 113 of the document, which is</p> <p>20 also page 120 of 135.</p> <p>21 A Calendar of contacts?</p> <p>22 Q Yes. You see that you are</p> <p>23 identified as a contact?</p> <p>24 A Yes.</p> <p>25 Q Do you know why you are identified</p>	<p style="text-align: right;">Page 39</p> <p>1 K. Buckfire</p> <p>2 Q Does this document reflect in any</p> <p>3 way the substance of conversations you had with</p> <p>4 Mr. Orr?</p> <p>5 A Yes.</p> <p>6 Q How so, sir?</p> <p>7 A I've had many conversations with</p> <p>8 Mr. Orr and the advisors to Mr. Orr over the</p> <p>9 course of our engagement, and this document</p> <p>10 reflects a consensus amongst all of us as to</p> <p>11 the condition of the City and recommendation</p> <p>12 and what to do about it.</p> <p>13 Q So is it your testimony, sir, that</p> <p>14 you endorse or support the recommendations that</p> <p>15 are contained in this document?</p> <p>16 A Yes.</p> <p>17 Q Is it your testimony that to the</p> <p>18 best of your understanding the facts presented</p> <p>19 in this document are accurate?</p> <p>20 A To my understanding, yes.</p> <p>21 Q Is there anything in this document</p> <p>22 that you have challenged to Mr. Orr?</p> <p>23 MR. CULLEN: Objection,</p> <p>24 foundation, form.</p> <p>25 You can address the question if</p>
<p style="text-align: right;">Page 38</p> <p>1 K. Buckfire</p> <p>2 as a contact in connection with this document?</p> <p>3 A Yes.</p> <p>4 Q Please?</p> <p>5 A To allow for creditors to call and</p> <p>6 ask me questions about the information and</p> <p>7 proposal contained within this plan.</p> <p>8 Q Okay. So is it your testimony,</p> <p>9 Mr. Buckfire, that you played no role in the</p> <p>10 creation of this document?</p> <p>11 A Aside from some minor stylistic</p> <p>12 changes, no.</p> <p>13 Q Had you reviewed it prior to its</p> <p>14 submission to creditors on June 14?</p> <p>15 A Yes.</p> <p>16 Q When did you first see a draft of</p> <p>17 this document?</p> <p>18 A It was about two weeks prior.</p> <p>19 Q And you, I believe you just</p> <p>20 indicated you made some minor edits?</p> <p>21 A That's right.</p> <p>22 Q Can you recall what sections of</p> <p>23 the document you thought required minor</p> <p>24 editing?</p> <p>25 A No.</p>	<p style="text-align: right;">Page 40</p> <p>1 K. Buckfire</p> <p>2 you understand it.</p> <p>3 A I can't answer it.</p> <p>4 Q Have you in any way suggested to</p> <p>5 Mr. Orr that the June 14 creditor proposal</p> <p>6 contains inaccuracies?</p> <p>7 A No.</p> <p>8 Q Have you in any way suggested to</p> <p>9 Mr. Orr that the June 14 creditor proposal</p> <p>10 contains omissions in your mind?</p> <p>11 MR. CULLEN: Material omissions,</p> <p>12 is that what you mean?</p> <p>13 MR. MONTGOMERY: Yes.</p> <p>14 A No.</p> <p>15 Q Now, sir, if you would look at</p> <p>16 page 7, which is also marked as page 14 of</p> <p>17 docket 11-1, I'll try to use both numbers.</p> <p>18 A It's the page entitled "The City</p> <p>19 is insolvent"?</p> <p>20 Q Indeed it is.</p> <p>21 A Okay.</p> <p>22 Q Do you believe that each of the</p> <p>23 statements that appear on this page are</p> <p>24 accurate?</p> <p>25 A Well, it's based on the work of</p>

<p>Page 41</p> <p>1 K. Buckfire</p> <p>2 Ernst and Young and Conway McKenzie. I have no</p> <p>3 reason to doubt their accuracy.</p> <p>4 Q Other than the work by Conway</p> <p>5 McKenzie and Ernst and Young, do you have any</p> <p>6 reason to believe that the statements here are</p> <p>7 true, other than -- let me rephrase the</p> <p>8 question.</p> <p>9 I think you just said that it's</p> <p>10 Ernst and Young and Conway McKenzie who</p> <p>11 formed -- gave you the information that forms</p> <p>12 the basis of this statement; is that correct?</p> <p>13 A That's correct.</p> <p>14 Q And so I'm simply asking you if</p> <p>15 you have an independent reason to believe these</p> <p>16 are accurate?</p> <p>17 A I relied on their professional</p> <p>18 judgment and work to produce this information.</p> <p>19 Q Okay. And I think that means you</p> <p>20 have no other reason to believe that this</p> <p>21 information is accurate.</p> <p>22 A I don't understand the question.</p> <p>23 MR. CULLEN: Objection to</p> <p>24 foundation and form.</p> <p>25 Q Has Miller Buckfire done any work</p>	<p>Page 43</p> <p>1 K. Buckfire</p> <p>2 simple question, do you have any other reason</p> <p>3 to believe that these statements are correct</p> <p>4 other than the good work by Ernst and Young and</p> <p>5 Conway McKenzie?</p> <p>6 A I am highly confident they did</p> <p>7 excellent work.</p> <p>8 Q I'm not asking you how good the</p> <p>9 work is, I'm asking you if you have any other</p> <p>10 reason to believe these statements are</p> <p>11 accurate?</p> <p>12 A Honestly I don't know how to</p> <p>13 answer that question, I'm sorry.</p> <p>14 Q Okay, let's turn to the next page.</p> <p>15 You will see that there is a statement there</p> <p>16 that, "The City is not paying their debts as</p> <p>17 they come due."</p> <p>18 Do you see that statement, sir?</p> <p>19 A I do.</p> <p>20 Q You believe that to be an accurate</p> <p>21 statement?</p> <p>22 A Yes, I do.</p> <p>23 Q You'll see that the first bullet</p> <p>24 is "The City is not making its pension</p> <p>25 contributions as they come due."</p>
<p>Page 42</p> <p>1 K. Buckfire</p> <p>2 to confirm the accuracy of the statements made</p> <p>3 on page 14 of docket 11-1 -- has Miller</p> <p>4 Buckfire done any work to confirm the</p> <p>5 statements that are on page 14 of docket 11-1?</p> <p>6 MR. CULLEN: May I ask, Counsel,</p> <p>7 do you mean the actual numbers or the</p> <p>8 overall conclusion? It's a little</p> <p>9 vague.</p> <p>10 Q I'm going to rephrase the</p> <p>11 question. You have said today that you believe</p> <p>12 the statements that are contained on page 7,</p> <p>13 which is of this document, that they are</p> <p>14 accurate. Did I understand that correctly?</p> <p>15 A I'm relying on the work of other</p> <p>16 professional as I'm entitled to do.</p> <p>17 Q I was not challenging your</p> <p>18 entitlement one way or the other, I was simply</p> <p>19 asking you if you had any basis other than the</p> <p>20 work of Conway McKenzie and Ernst and Young to</p> <p>21 reach the conclusion that the statements on</p> <p>22 this page are accurate?</p> <p>23 A Are you asking if I audited their</p> <p>24 work?</p> <p>25 Q No, I'm just asking the very</p>	<p>Page 44</p> <p>1 K. Buckfire</p> <p>2 Do you believe that to be an</p> <p>3 accurate statement?</p> <p>4 A I do.</p> <p>5 Q You'll also see in there that</p> <p>6 there is a reference to the deferral of pension</p> <p>7 contributions?</p> <p>8 A Yes.</p> <p>9 Q You see that one of those</p> <p>10 statements is that, "As of May 2013, the City</p> <p>11 had deferred approximately 54 million in</p> <p>12 pension contributions related to current or</p> <p>13 prior periods and will defer approximately 50</p> <p>14 million on June 30, 2013 for current year PFRS</p> <p>15 pension contributions."</p> <p>16 Do you see that?</p> <p>17 A Yes.</p> <p>18 Q To your understanding is that a</p> <p>19 true statement?</p> <p>20 A To my understanding, yes.</p> <p>21 Q Okay. And what is the basis of</p> <p>22 your understanding, sir?</p> <p>23 A Reports from Ernst and Young and</p> <p>24 Conway McKenzie.</p> <p>25 Q Anything else?</p>

<p style="text-align: right;">Page 49</p> <p>1 K. Buckfire</p> <p>2 A No. The alternative would be for</p> <p>3 the City to make the payment as schedule and</p> <p>4 thereby render itself cash insolvent.</p> <p>5 Q So I'm asking you how it is that a</p> <p>6 deferral increases liabilities, which is a</p> <p>7 statement you made to me.</p> <p>8 A If debt is due, that would be a</p> <p>9 reduction of liabilities. If you don't make</p> <p>10 the payment, then that becomes an increase in</p> <p>11 liabilities.</p> <p>12 Q Is it not correct, sir, that if</p> <p>13 you make a payment on the liabilities, you</p> <p>14 reduce the liabilities but you also reduce your</p> <p>15 assets?</p> <p>16 A Cash.</p> <p>17 Q That's an asset, is it not?</p> <p>18 A That is correct.</p> <p>19 Q If you defer a liability you do</p> <p>20 not affect either the sum of the liabilities or</p> <p>21 the sum of the assets that are available.</p> <p>22 A That's true.</p> <p>23 Q So I ask you again, sir, how is it</p> <p>24 that a deferral increases liabilities?</p> <p>25 A Because the alternative would be a</p>	<p style="text-align: right;">Page 51</p> <p>1 K. Buckfire</p> <p>2 with these deferrals of pension obligations</p> <p>3 that are referred to on docket 11-1, page 15?</p> <p>4 A No.</p> <p>5 Q You will recall that as we were</p> <p>6 looking at the first bullet, the statement,</p> <p>7 "Will defer approximately 50 million on June</p> <p>8 30, 2013 for a current year PFRS pension</p> <p>9 contributions," was made, that statement was</p> <p>10 made?</p> <p>11 A That statement was made.</p> <p>12 Q And I think you indicated that</p> <p>13 that was an accurate statement to your</p> <p>14 understanding?</p> <p>15 A To my understanding.</p> <p>16 Q Do you happen to know whether in</p> <p>17 fact the City deferred the June 30, 2013</p> <p>18 contribution?</p> <p>19 A No.</p> <p>20 Q So why did you believe that the</p> <p>21 June 14 creditor proposal was accurate when it</p> <p>22 said the City will defer \$50 million?</p> <p>23 A I don't understand the question.</p> <p>24 Q You said you don't know if they</p> <p>25 actually deferred it.</p>
<p style="text-align: right;">Page 50</p> <p>1 K. Buckfire</p> <p>2 reduction of liabilities.</p> <p>3 Q So a failure to reduce liabilities</p> <p>4 is the same as an increase in liabilities?</p> <p>5 A Well, in the case of a requirement</p> <p>6 to make a payment, you're required to make that</p> <p>7 payment, that would be a reduction of</p> <p>8 liabilities and a reduction of cash. If you</p> <p>9 are able to defer or unilaterally not make that</p> <p>10 payment, of course the liabilities would be</p> <p>11 unchanged, that represents an increase in</p> <p>12 liabilities from what you were legally required</p> <p>13 to do.</p> <p>14 Q You've said that a failure to</p> <p>15 timely reduce liabilities acts as an increase</p> <p>16 in liabilities. Did I hear that correctly?</p> <p>17 A From what you are suppose to have</p> <p>18 done.</p> <p>19 Q But the -- is it not correct that</p> <p>20 the failure or ability to defer a debt also</p> <p>21 leads the asset side of your balance sheet</p> <p>22 unchanged?</p> <p>23 A Yes.</p> <p>24 Q Thank you. Do you happen to know</p> <p>25 if the City actually issued notes in connection</p>	<p style="text-align: right;">Page 52</p> <p>1 K. Buckfire</p> <p>2 A I assume they did.</p> <p>3 Q You assume they did, but you don't</p> <p>4 actually know it?</p> <p>5 A That's what I testified to.</p> <p>6 Q And so I'm asking you, why is it</p> <p>7 that you were confident that they were going to</p> <p>8 defer it?</p> <p>9 A Because it was our conclusion that</p> <p>10 the City had no cash and could not afford to</p> <p>11 make this payment and therefore should not make</p> <p>12 this payment.</p> <p>13 Q Was that one of the</p> <p>14 recommendations you made to Mr. Orr?</p> <p>15 A It wasn't my recommendation.</p> <p>16 Q Who made that recommendation?</p> <p>17 A It was a collective recommendation</p> <p>18 among all the advisors, but I did not</p> <p>19 individually make that recommendation.</p> <p>20 Q Who first proffered the</p> <p>21 recommendation for which the collective body of</p> <p>22 advisors endorsed it?</p> <p>23 A I don't know.</p> <p>24 Q But you indicated that the</p> <p>25 collective body did endorse it?</p>

Page 65

1 K. Buckfire
2 your conclusion that it would be prudent the
3 treat the pension as an unsecured claim flowed
4 from that April letter?
5 A No.
6 Q Why did you reach the conclusion
7 that it would be prudent financially for the
8 City not to make any cash contributions to the
9 pension plan?
10 A It was part of a general review of
11 all the City's liabilities, both funded and
12 unfunded. That's what we were doing. Prior to
13 the involvement of Conway McKenzie, Ernst and
14 the Milliman, we really had no fact in which to
15 base out analysis on what the City should do
16 about its balance sheet and about its in
17 ability to fund operations or to invest in
18 quality of life.
19 That is why Conway, Ernst and
20 Young and Milliman were retained, to do exactly
21 that analysis.
22 Q And as precisely as you can, sir,
23 did you make a specific recommendation to
24 Mr. Orr that no cash be contributed ed to the
25 pension plans as part of the City's

Page 66

1 K. Buckfire
2 restructuring proposal, and when I say you I
3 mean you personally?
4 MR. CULLEN: Objection,
5 foundation, form, asked and answered.
6 Address it again.
7 A We were not singling out any
8 particular creditor or body. Our
9 recommendations were all about preserving cash
10 for the City and whatever steps the City had to
11 take to do so, it was part of a recommendation,
12 including not paying our bond holders.
13 Q And you made that recommendation
14 following the April Milliman report?
15 A No, I did not. I didn't testify
16 to that. I testified we became aware of the
17 seriousness of the issue in April. We did not
18 form any conclusions until late May, early
19 June.
20 Q When, if ever, did you make a
21 recommendation to Mr. Orr that the City not pay
22 any cash to the retirement system as part of
23 the restructuring proposal? The question is
24 when.
25 MR. CULLEN: Objection,

Page 67

1 K. Buckfire
2 foundation, form. You're misstating
3 the witness' testimony.
4 A I just answered the question.
5 Q When?
6 A I've answered that already.
7 Q You said May?
8 A Late May, early June.
9 Q Okay. You don't recall
10 specifically when?
11 A No.
12 Q Do you recall specifically who
13 heard the recommendation?
14 A No.
15 Q Was it oral?
16 A Yes.
17 Q Was it also in writing?
18 A No.
19 Q Who was present when the oral
20 recommendation was made?
21 A I don't recall.
22 Q Mr. Orr was present, of course?
23 A I believe so, but I can't be
24 certain.
25 Q You can't be certain as to whether

Page 68

1 K. Buckfire
2 Mr. Orr was present when you made an oral
3 recommendation?
4 A There were many, many
5 conversations and meetings during that period
6 of time. I can't recall who was at any
7 particular one and when this issue came up or
8 not. It was one of many other issues that had
9 to be decided to perform this presentation.
10 It's certainly not the only one and maybe not
11 even the most important.
12 Q What was the most important
13 recommendation you made?
14 A The decision whether or not to
15 make the \$40 million payment to our
16 cops bond holders on June 15.
17 Q Why was that the most important in
18 your judgment?
19 A Because that would trigger an
20 event of default on the part of the City which
21 would immediately trigger other consequences
22 related to the swap collateral agreement, which
23 was a direct threat to the City's ability to
24 operate in its ordinary course.
25 Q Sir, if you would turn to -- back



<p style="text-align: right;">Page 121</p> <p>1 K. Buckfire</p> <p>2 A I suggested to him we figure out</p> <p>3 how to do a better job of collecting taxes.</p> <p>4 Q I assume there was no disagreement</p> <p>5 on that point?</p> <p>6 A Not that I recall.</p> <p>7 Q Do you know, Mr. Buckfire, whether</p> <p>8 there has been more than one Compuware report</p> <p>9 on the non-filers?</p> <p>10 A No.</p> <p>11 Q As the debtor's financial advisor,</p> <p>12 do you have any assessment as to potential</p> <p>13 value of collections from non-filers?</p> <p>14 A Well, in my judgment, and again,</p> <p>15 speaking with my judgment, and I think that the</p> <p>16 ability of the City to collect a material</p> <p>17 amount of these delinquent payables is low.</p> <p>18 Q Why is that, sir?</p> <p>19 A For two reasons. Number one, I</p> <p>20 think many of the people who have not paid have</p> <p>21 no capacity to pay. We can't find them, or we</p> <p>22 simply have no ability to enforce a judgment</p> <p>23 against them.</p> <p>24 And, secondly, the City ability</p> <p>25 administratively to collect taxes has been</p>	<p style="text-align: right;">Page 123</p> <p>1 K. Buckfire</p> <p>2 taxes due to the City?</p> <p>3 A No.</p> <p>4 Q Did you have any such</p> <p>5 conversations with Mr. Malhotra?</p> <p>6 A No.</p> <p>7 Q With Mr. Moore?</p> <p>8 A About this report?</p> <p>9 Q Yes, A, about this report.</p> <p>10 A I've never seen this report, so</p> <p>11 clearly, I didn't have any conversations about</p> <p>12 it.</p> <p>13 Q Did you have any conversations</p> <p>14 with either Mr. Malhotra or Mr. Moore about the</p> <p>15 City's ability to identify corporate entities</p> <p>16 that had not paid taxes to the City?</p> <p>17 A Not specifically, no.</p> <p>18 Q I think a few moments ago you</p> <p>19 thought that it would be difficult to identify</p> <p>20 and find people who owed money to the City.</p> <p>21 Did I hear that correctly?</p> <p>22 A Individuals, yes.</p> <p>23 Q Is that true for corporations as</p> <p>24 well?</p> <p>25 A There are fewer corporations and</p>
<p style="text-align: right;">Page 122</p> <p>1 K. Buckfire</p> <p>2 proven to be quite low. I think for those</p> <p>3 reasons, the eventual ability to collect on</p> <p>4 these receivables is low.</p> <p>5 Q I would like to hand you another</p> <p>6 document that touches on this subject. It's a</p> <p>7 letter dated January 10, 2012, addressed to</p> <p>8 Mr. Kenneth B. Cockrill, Chair, Budget, Finance</p> <p>9 and Auditing Standing Committee, from</p> <p>10 Cheryl Johnson, Group Executive Finance</p> <p>11 Director, Office of the Mayor.</p> <p>12 (Document, dated 1/10/12 was marked</p> <p>13 as Buckfire Exhibit No. 10 for</p> <p>14 identification, as of this date.)</p> <p>15 Q Mark this as Buckfire Exhibit 10.</p> <p>16 Mr. Buckfire, have you seen</p> <p>17 Deposition Exhibit Number 10 before?</p> <p>18 A No.</p> <p>19 Q Were you aware that the City</p> <p>20 finance department had, in fact, identified</p> <p>21 companies owing money to the City with balances</p> <p>22 in excess of two thousand dollars?</p> <p>23 A No.</p> <p>24 Q Had you had any conversations with</p> <p>25 Mr. Orr regarding corporate assessments of</p>	<p style="text-align: right;">Page 124</p> <p>1 K. Buckfire</p> <p>2 they're more visible, and it's probably a more</p> <p>3 simple task to find them right now.</p> <p>4 But this actually notes, since you</p> <p>5 just gave it to me, that even they point out</p> <p>6 they only had one accountant working on the</p> <p>7 corporate sector, which gets to my second</p> <p>8 points, which is the City's ability to collect</p> <p>9 taxes is extremely low.</p> <p>10 Q Will that ability change as part</p> <p>11 of the reorganization process?</p> <p>12 A If the City's allowed to maintain</p> <p>13 its reinvestment plan, the expectation is it</p> <p>14 will.</p> <p>15 Q And if the City's allowed to</p> <p>16 continue with its reinvestment plan and</p> <p>17 dedicates the appropriate resources, do you</p> <p>18 believe that corporate taxes will be realized</p> <p>19 by the City?</p> <p>20 A I believe that the projections</p> <p>21 produced as part of the June 14 report, which</p> <p>22 indicate certain expected revenues in the</p> <p>23 future will be achievable.</p> <p>24 Q Do you believe that such</p> <p>25 projections include improved tax collections?</p>